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April 21, 2009

## AGENDA ITEM 3c

### TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. **SUBJECT:** Assembly Bill 820 (Conway) – As Introduced  
State Annuitant Benefits  
*Sponsor: Department of Personnel Administration (DPA)*
- II. **PROGRAM:** Legislation
- III. **RECOMMENDATION:** Support  
This bill would ease the administration of the Vision Care Program for State Annuitants and provide access to state retirees to the Group Legal Services Plan.

### IV. ANALYSIS:

This bill would designate a continuous appropriation for the Vision Care Program for State Annuitants Fund instead of requiring a yearly appropriation. This bill would also allow the state's vision services provider to bill annuitants whose monthly premium allowance is not enough to cover the premium cost.

In addition, this bill would allow state retirees to participate in the self-funded Group Legal Services Plan for state employees.

#### **Background**

##### *Vision Care Program for State Annuitants*

In 2006, Assembly Bill 2242 (Chapter 611, Torrico) established the Vision Care Program for State Annuitants. The Vision Care Program is a voluntary program, administered by the Department of Personnel Administration (DPA), and funded by participating annuitants. DPA contracts with Vision Services Plan (VSP) to administer the program. Out of roughly 130,000 eligible annuitants, there are approximately 50,000 enrollees in the State Annuitant Vision Care Plan.

The current premium is approximately \$9 per month for a member and \$17 per month for a member and his or her spouse. The premium is negotiated to provide the best cost to the members, and can be renegotiated when the contract periods end. Current law requires the premium to be deducted from the annuitant's monthly allowance.

#### *Group Legal Services Plan*

The Department of Personnel Administration (DPA) contracts with ARAG Insurance Company to provide excluded, exempt, and rank-and-file state employees with access to a Group Legal Services Plan (GLSP). Currently, the GLSP is only available to active employees and their eligible dependents via post-tax payroll deduction. The monthly premium is \$9.84 for individual coverage and \$17.39 for family coverage.

The GLSP is voluntary and fully employee-paid, designed to meet an individual's most common personal legal needs, providing comprehensive legal coverage for eligible employees and their eligible dependents. Since the GLSP's implementation in 1992, the number of eligible employees enrolled in the GLSP has increased from 2,500 to more than 35,000. The average new enrollment during the state's annual open enrollment is approximately 4,200. Once state employees separate or retire, they are no longer eligible to participate in the Plan.

#### **Proposed Changes**

This bill would:

- Provide that the Vision Care Program for State Annuitants Fund is a continuously appropriated fund.
- Allow the state's vision services provider to bill an annuitant whose monthly premium allowance is not enough to cover the premium cost.
- Allow state retirees, at their own expense, to participate in the State's Group Legal Services Plan for state employees.

#### **Legislative History**

2008      SB 1601 (Negrete McLeod) – Essentially the same bill as AB 820. Would ease the administration of the Vision Care Program for State Annuitants and provide access to state retirees to the Group Legal Services Plan. Enrolled, but vetoed. *CalPERS Position: Support*

- 2006 Chapter 611 (AB 2242, Assembly PER&SS) – Established the Vision Care Program for State Annuitants to be administered by the Department of Personnel Administration, to be paid for by the participants of the Program.  
*CalPERS Position: Support*

### **Issues**

#### **1. Arguments by Those in Support**

According to DPA, annual open enrollment programs make it difficult to anticipate how much money to appropriate for the program. Furthermore, late budget approvals could cause the program to run out of funding. It is for these reasons that programs like this generally have a continuous appropriation without regard to fiscal year. Continuous appropriation is the most administratively flexible and least costly approach.

*Organizations in Support: Department of Personnel Administration (Sponsor), American Federation of State, County and Municipal Employees (AFSCME), California State Employees Association*

#### **2. Arguments by Those in Opposition**

There is no known opposition at this time.

#### **3. Annuitant Compensation Not Enough to Pay for Premiums**

Currently, there are approximately 170 state annuitants that do not earn enough in retirement benefits to fully pay for their health and dental premiums. Usually these retirees worked long enough to qualify for a small pension, but not long enough to qualify for employer paid health benefits. This situation would also exist for annuitants who may be interested in this vision coverage plan.

When the annuitant's warrant does not cover the vision care plan premium, an error list is produced that indicates deductions exceed the member's gross allowance so VSP will bill the member's directly. Presently, VSP direct bills approximately 515 - 575 annuitants per month.

This bill will clarify that annuitants can be billed directly for their vision care premiums.

#### **4. Group Legal Services Plan Not Currently Available to State Retirees**

Once state employees separate or retire, they are no longer eligible to participate in the GLSP. However, retirees have similar, if not greater need for low cost legal services as the need for wills, powers of attorney, and other legal services generally increase as people age. This bill would allow retirees

to participate in the Plan at their own expense, providing a valuable benefit to retirees at no cost to the state.

5. Legislative Policy Standards

The Board's Legislative Policy Standards indicate a support position on proposals that provide benefit improvements to retirees to recognize the unique needs of this group. Staff recommends the Board adopt a support position on AB 820 because it would clarify existing law and enable the state to administer the State Annuitant Vision Care Plan and provide state retirees access to the Group Legal Services Plan more efficiently.

**V. STRATEGIC PLAN:**

This is not a product of the CalPERS strategic plan, but an ongoing responsibility of the CalPERS Office of Governmental Affairs.

**VI. RESULTS/COSTS:**

Program Costs

There are no additional program costs. Both the Vision Care Program and the Group Legal Services Program are voluntary and funded by member premiums.

Administrative Costs

There would be no additional administrative costs.

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